



state senator

Tom Weatherwax

2005 LEGISLATIVE UPDATE

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Property Tax Reform

A local income tax proposal could be the best solution

Property taxes have grown considerably for all classes of taxpayers over the last 20 years, and are an outdated mechanism for taxation in many regards. They are not levied on ability to pay. This creates particular problems for senior citizens living in long-held homes and who have a fixed income. It has created a burden on farmers and other businesses unrelated to income, and it is a drag on new home purchases by young families and new business investment.

This year, Senate Republicans passed a plan to move local governments away from property taxes. After vocal opposition by local elected officials, the House was forced to defeat the measure.

The plan would have required that counties, through the representative council of the cities, towns, counties, and school districts, vote this summer on whether to plan their local budgets with a more equitable income tax. Currently, local units of government are permitted to grow their budgets on a rolling six-year average of the increase in Non-Farm Personal Income, and to do this, they generally increase property taxes. Property taxes are locally controlled.

Under the new plan, the controls on growth are retained, but local units are encouraged to use the income tax to fund it, instead of using the property tax. The proposal merely permits increases that can occur on property taxes to be moved to income taxes.

It is estimated by the nonpartisan Legislative Services Agency that most counties would start with a tax rate of less than 0.5 percent. That rate could grow to 1 to 1.2 percent by 2011.

How fast the rate actually grows in each county will be determined by the natural rate of income tax growth and the rate of spending growth in each county. Over that period, property taxes to fund operating expenses for schools and local government would not increase. The new income tax rate would have been capped at about 1.2 percent.

The program required a rainy day fund to be set aside to protect each school and civil unit of government against economic downturns. In addition, if units spend less than the full growth increase permitted, that money could be used in four ways: across the board property tax relief; put in the rainy day fund;

did you know?

In Indiana, local governments and schools keep 99.9 percent of all property taxes collected.



Currently, one third of the state budget goes toward property tax relief, dedicating over \$3.7 billion a year.

Half of all revenue raised by the state sales tax is used for property tax replacement, as is 14 percent of the income tax and nearly a half billion dollars every year from the wagering tax from riverboats.

create an additional local homestead credit; create an additional local property tax replacement credit.

This would have been a major change that would be beneficial for all taxpayers, as we move to a system that is based on ability to pay, is easier to administer, and will return funds more rapidly to local units for their budgets. Unfortunately, local officials decided not to support this innovative move away from property taxes. I do plan to support this measure in the 2006 session.



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Tom Weatherwax

serving district 18

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The State Budget: Holding the Line on Spending

LEGISLATURE PASSES FIRST BALANCED BUDGET IN 10 YEARS

The Indiana General Assembly has passed a balanced two-year state budget that holds the line on spending, eliminates the structural deficit, adds no new state taxes, provides \$4 billion in property tax replacement credits and adds \$112.4 million to K-12 education.

Senate Republicans voted to control state spending while boosting funding for K-12 education, scholarships for higher education and child protection. Medicaid funding is held to a 5 percent increase. This is in contrast to the 10 percent growth experienced during the current biennium.

The passage of this budget is quite an accomplishment. To overcome a \$600 million structural deficit and end up with reserves – all without new state taxes – is no small feat.

Education funding remained a top priority by the Senate Republicans. The school funding formula is driven by an innovative approach that funds children as individuals instead of simply funding corporations. Special factors, such as poverty, single parent families and free lunches, are taken into consideration when determining the level of funding that is to follow a child.

The General Assembly continually has increased education spending in past years, even when other states were cutting education. In 2003, Indiana had the highest increase of K-12 funding in the coun-

try – during a national recession. The new budget gives more money and funding options to Indiana public schools than has ever been given in the history of the state.

Additionally, the state is distributing to local governments \$4 billion in property tax replacement credits (PTRC), in an effort to provide relief to homeowners and other property taxpayers. Local governments and schools keep 99.9 percent of all property taxes, which are levied by local governments and schools. Half of all revenue raised by the state sales

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tax is used for PTRC, as is 14 percent of the income tax and nearly a half billion dollars every year from the wagering tax.

Earlier in the session, Senate Republicans voted to pass a measure to reform the property tax system by giving local governments an option to shift the property tax burden to an income tax in order to be more fair and equitable to Hoosiers. The initiative was successful in the Senate but failed to receive consideration in the House of Representatives when the bill met substantial opposition from local government officials.

The new budget is a prescription for positive change in Indiana. It is the first balanced budget crafted by legislators in 10 years. I strongly support efforts to keep spending down while providing adequate funding for essential services.

Great News for Hoosier Farmers

This session, I authored Senate Enrolled Act 327. The bill concerns property taxes, and specifically addresses the Agricultural Land



Base Rate. It will reduce the assessed value of an acre of farmland from \$1,050 per acre to \$880 per acre for the next two years. This initiative is in response to a 24 percent increase in farmland taxes over the past two years.

Farmland is unrealized wealth because it appreciates at rates disproportionate to the farm's income. Due to the amount of acreage that most farmers own, they often cannot generate enough income to pay the \$1,050 per acre that they own. This bill helps ease the tax burden on Hoosier farmers by reducing their property tax payments and providing a more fair way of distributing these property taxes.

**Sen. Weatherwax had
a 100% voting attendance record in 2005.**

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Photo: Sen. Weatherwax reviewing the Senate daily calendar of bills for action.

State Continues Support for the Ivy Tech-Logansport Campus



I worked this session with Representatives Eric Gutwein (R-Rensselaer), Richard McClain (R-Logansport), and Don Lehe (R-Brookston) to gain funds to build a new campus for Ivy Tech-Logansport.

This has been a combined state and local effort. Our changing economy demands new information and new skills. This expansion allows Ivy Tech to provide the necessary tools to allow the community to keep pace with these changes and take advantage of every economic opportunity available.

The Legislature allocated \$300,000 to the campus in House Enrolled Act 1120. This, along with \$250,000 and 26 acres of land from the city of Logansport; \$250,000 from Cass County; and 31 acres with full water and sewer infrastructure from Engineering Aggregate, helps the campus expand to meet its already growing enrollment.

Since 1999, enrollment grew from 399 students to its present 923 students. Projections indicate that the enrollment will reach 1,500 by 2008 if current trends continue. The classroom and faculty demands of this growth necessitate an immediate expansion project.

The tremendous success of Ivy Tech-Logansport indicates the need in the community for affordable adult education programs. This generous support allows the new campus to fulfill those needs and continue to provide the region with the skills necessary to keep pace with the changes of our new economy.

Saving Hoosier Pot Lucks

Indiana is known for many things, one of the most important being our "Hoosier hospitality." Church pitch-ins, work picnics and Lion's Club fundraisers are events that occur throughout the year in all corners of this state. Unfortunately, these events were facing a roadblock when it comes to the handling of food. Current Indiana law requires that a certified food handler be present at any event where food is being served.

I sponsored a bill that took appropriate steps in correcting this problem. House Enrolled Act 1056 fixes the problem of requiring members of churches, auxiliaries and other tax exempt organizations to become certified food handlers. It is simply unnecessary for their purposes.

HEA 1056 is a measure that will exempt non-profit organizations that offer food for sale at an event benefiting the organization from having certified food handlers, if they meet the following requirements:

- Members of the organization prepare the food that will be sold
- Events should not last more than 30 days in a calendar year
- The name of each member who prepared a food item is attached to the container, if it is brought in by a member of the organization

HEA 1056 was signed into law by the governor and is now in effect.

Clean Water Indiana Initiative

This session I sponsored the Clean Water Indiana (CWI) initiative, HEA 1431, appropriates annually money for the Clean Water Indiana Fund. This initiative puts into place the framework the state needs to leverage in order to obtain additional federal funding.

If in 2004 we had enacted the Clean Water Indiana initiative, our state could have leveraged \$3.7 million into \$14.8 million. That's a lot of money Hoosiers could have used for conservation in our state.

Clean Water Indiana will allow Indiana to improve in some critical areas:

- It will allow Indiana to increase livestock production while protecting and enhancing the environment.
- It will support the construction and implementation of management practices, such as grass buffers and filter strips that will protect our natural resources.
- It will provide cleaner water supplies for urban areas by addressing water quality issues "upstream" on farms.



- It will provide cost-share funding that will allow many rural communities to adopt practices or build infrastructure to improve the quality of their drinking supply.
- It will assist in economic development of rural communities by strengthening our agriculture sector and providing new employment opportunities for construction and technical work in the adoption of land management practices.

HEA 1431 will reduce the amount of funding the Department of Natural Resources receives from the Cigarette Tax Fund from one-third to one-sixth and earmarks the money to the Clean Water Indiana fund. The state could obtain up to \$8 dollars in federal money for each state dollar under the federal Conservation Reserve Enhancement Program. If the state appropriates one-sixth of the cigarette tax revenue, an estimated \$3.7 million, toward this program, the state could receive almost \$30 million in federal funds for the Clean Water Indiana Program.

SEA 12 — The "Code Adam" program sets a protocol for lost or missing children in certain state buildings. This initiative, on a smaller scale, is similar to the popular and successful "Amber Alert" program. **PASSED. My vote: YES**

HEA 1501— This bill establishes the position of inspector general, an employee of the governor, who works to weed out corruption. Years of scandal in previous administrations cost the state at least \$25 million; we may never know the full extent of misspending. **PASSED. My vote: YES**

BIOFUELS:

Good for the economy and the environment

Two significant clean energy initiatives have passed the Indiana General Assembly and have become law.

House Enrolled Act 1032 requires state government to fuel state vehicles with agriculture-based fuels, such as biodiesel, ethanol, or gasohol, whenever possible. Biodiesel is a clean burning alternative fuel, produced from domestic, renewable resources, such as soybeans. Biodiesel contains no petroleum, but it can be blended at any level with petroleum diesel. This helps improve air quality and our economy by taking advantage of resources from right here in Indiana. This bill was signed into law by the governor on April 1.

Senate Enrolled Act 378, which I authored, will expand the tax incentives passed during the 2003 legislative session on the production and use of Indiana soy diesel and ethanol fuels and provide additional incentives for clean coal gasification plants. This bill covers all facets of processing – from soybean crushers to oil refineries to the service stations that will supply the fuel – while growing the demand for agricultural commodities and increasing farm-

ers' profits. Ethanol production plants cost around \$79 million to build and don't receive these tax breaks until they are making a profit in our state.

SEA 378 provides an additional \$5 million for bio-diesel production, which will be divided into \$1 million sections for the refineries, wholesale, blenders, and service stations that carry the fuel. The bill also expands the tax credit from \$10 million to \$20 million for large ethanol and soy diesel production plants. This will provide a great opportunity for both soy diesel and ethanol plants.

Additionally, SEA 378 provides tax credits for companies who build and operate integrated coal gasification power plants in Indiana. Coal gasification is the process of using Indiana's high sulfur-coal and transforming it into clean burning energy.

Our state's use of coal has not kept up with our production. Since 1987, coal consumption in Indiana has increased by 30 per-



LEFT: Sen. Weatherwax authored SEA 378, which provides support for the production of biofuels. Here, he discusses SEA 378 with Sen. Vic Heinold of Kouts.

cent, while Indiana's coal production has increased by only 3 percent. Currently, over half of the coal used to generate electricity is imported into Indiana. If Indiana coal were to replace imported coal, it would add \$1.35 billion and 18,000 jobs to our state's economy.

With rising gas prices and pollution issues, this alternative source of energy has great potential. This fuel is cheaper and better for our environment. Also, the economic possibilities of using and producing alternative energy here in Indiana are fantastic.

These measures are great achievements for our environment and our economy. I hope that we can take full advantage of these alternative sources of energy and make Indiana a leader on this issue.

Education Initiatives Successful in 2005 Session

This year, the state tackled several key issues to improve education:

- Current state law requires children to be five years old on July 1 of a school year to be eligible to attend **kindergarten**, making Hoosier children the oldest kindergartners in the country. This year, we moved the kindergarten enrollment date to include children who turn five years old no later than August 1, 2006. While state law does not require parents to enroll children who may not be ready for kindergarten, children who turn five during the summer months should be welcome in our schools.

- Another important initiative requires students, beginning in 2008-2009, to complete the **Core 40 curriculum** in order to graduate from high school. This program of study requires no additional credits but rather calls for fewer electives and more math, science and social studies classes to fulfill the 40 credit requirement for graduation. There are exceptions for some students whose parents object and for special education students. The bill also requires that parents be notified when a student is in danger of failing the Core 40 requirements and graduate qualifying exam. Institutions of higher education in Indiana will require

applicants to complete these Core 40 requirements for admission.

- **Charter schools** are state-funded public schools that operate free of many state regulations, but are accountable for their results in the same manner as traditional public schools, as well as by the terms of a charter. They provide new learning opportunities through innovative curriculums and environments. One bill passed this session eases funding restrictions for charter schools in order to give them at least a few of the same opportunities afforded to other public schools. We must continue to support these important partners in education.

SEA 304 — The role of National Guard members deserves special recognition due to their increased responsibilities. This bill exempts spouses and children of National Guard members killed in state active duty from paying tuition at any state educational institution. **PASSED. My vote: YES**

SEA 76 — This law requires a health care provider to provide a pregnant woman with information regarding the availability of ultrasound imaging and auscultation of heart tones of a fetus before performing an abortion. **PASSED. My vote: YES**

